



**SASKATCHEWAN
PENSION PLAN**

2016 ANNUAL REPORT

Saskatchewan Pension Plan

**Annual Report
for the year ending
December 31, 2016**

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Letters of transmittal



Her Honour
The Honourable Vaughn Solomon Schofield, S.O.M.,
S.V.M
Lieutenant Governor of Saskatchewan

Your Honour:

I have the honour to submit the Annual Report of
the Saskatchewan Pension Plan for the year ended
December 31, 2016.

Respectfully submitted,

SIGNED

Kevin Doherty
Minister Responsible
Saskatchewan Pension Plan



The Honourable Kevin Doherty
Minister Responsible
Saskatchewan Pension Plan

Sir:

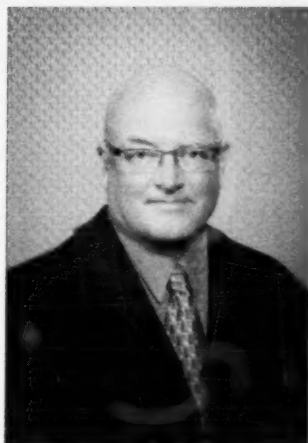
On behalf of the Board of Trustees for the
Saskatchewan Pension Plan, I have the honour to
present the Annual Report for the Saskatchewan
Pension Plan for the year ended December 31, 2016.

Respectfully submitted,

SIGNED

Katherine Strutt
General Manager
Saskatchewan Pension Plan

Board of trustees' message



On behalf of the Trustees of the Saskatchewan Pension Plan (SPP) it is my honour to submit this annual report for 2016.

Celebration and reflection defined many of the Board's activities in 2016. The Plan celebrated 30 years of building relationships with members and building members' retirement savings. I want to thank each member who took the time to engage with the board and staff at various activities we attended in 2016.

The Board of Trustees is composed of people who are representative of members. Responsibilities of the Trustees of SPP as outlined in The Saskatchewan Pension Plan Act are to administer the Plan and act as trustee of the fund. As we consider these fiduciary responsibilities, our primary duty is to the members of this Plan - the people who have entrusted their money to us and will enable us to achieve our vision to become the pension plan people know and trust.

During the year under review, SPP grew assets under management to \$479.5 million. We know that members place enormous trust in our sound judgement and prudence as we seek to find earnings in challenging markets. As a pension plan, our philosophy is long-term investing; it was under that premise that the balanced fund was created some 30 years ago and has returned an average 8.1 per cent.

For investors who desire a haven for funds where the return will be lower but the volatility less, we offer the short-term fund.

We continue our commitment to a low MER and I am pleased to report that the BF came in at 87 bps in 2016 while the STF was 13 bps. The financial statements found midway through this report reflect the sound financial position of SPP.

The Statement of Investment Policies and Goals is a primary product of the Board's work and provides the guide post for us to measure investment performance and ultimately member satisfaction. This document, as well as Fund Facts, is available at saskpension.com to assist investors with becoming informed about their choices at SPP.

Our governance model allows trustees to receive in-depth reporting on each area of the plan. When considering our corporate values of transparency and accountability, the Board works diligently to hold both itself and management to a high standard in this regard. In addition, the governance structure affords Trustees sufficient time and access to resources to provide the required strategic direction for SPP. The Trustees of SPP actively engage in learning opportunities about pension and investment issues in order to better serve the needs of plan members and the investment of the fund.

The Board's vision is to continue the growth focus of SPP. The sound investment strategy, commitment to low MER and development of products that will enhance member options at retirement will allow SPP to achieve this vision in a prudent, cost-effective manner.

Respectfully submitted,

SIGNED

Timothy W. Calibaba, ICD.D
Chairperson, Board of Trustees
Saskatchewan Pension Plan

General manager's message



During 2016 much of our operational time and attention focused on the 30th anniversary of SPP. We had the opportunity to pause and consider the accomplishments of many stakeholders – trustees, members and staff – over the past three decades. The historical input and contribution from each of these sectors led to making SPP the organization it is today.

The thrust of many marketing activities during 2016 was to showcase members. Frequently we heard the comment: "I wish I had started my SPP sooner". Our purpose in marketing activities at SPP is to raise the profile of the Plan so that instead of being Saskatchewan's best kept secret people have the opportunity to start saving for their retirement with this product.

The voluntary nature of SPP makes it unique in the world of pensions and means there is not the automatic flow of cash from workplace contributions each month. However, SPP is also unique because it has the loyalty and trust of more than 33,000 members

who choose to invest in this fund or who are now reaping the benefits of their investment by way of a pension payment for life.

Our staff is committed to excellence in the service they provide to members and to the public. Member service is one of our core values and is the focus of operations from the Plan headquarters in Kindersley. Combined, our staff of 14 represents 182 years of service to SPP members. This stable workforce benefits the members we serve because they are assured people whom they encounter at tradeshow or by phone are well-trained and knowledgeable. Further to that, this stability contributes to the integrity and accountability with which day-to-day operations are executed.

As General Manager, the Board of Trustees delegates day-to-day operations of the plan to me and sets out a series of strategic goals. This report is filled with statistics and financial information on the progress toward meeting those goals in 2016. By way of highlights, I am pleased to report that our BF return was 6.5 per cent and our STF return was 0.5 per cent.

As we move forward into the year ahead, our focus will continue to be on member service. We hope to develop enhancements to web services for launch in late 2017 and will continue to examine further options for members at retirement.

Respectfully submitted,

SIGNED

Katherine Strutt
General Manager
Saskatchewan Pension Plan

Corporate philosophy

Our mission

The Saskatchewan Pension Plan will grow through the provision of a superior investment opportunity that results in enhanced financial security at retirement.

Our vision

The pension plan that people know and trust.

Our values

Respect

- Listening and working to understand and meet stakeholder needs
- Communication must be direct, open, honest and timely

Integrity

- Behaving in a consistent manner towards each other and our members, respecting commitments and being true to one's word
- Upholding the highest ethical standard

Initiative

- Encouraging creativity, learning and self development
- Planning and executing new approaches and methods

Teamwork

- Accepting diversity and difference
- Co-operating to accomplish common goals

Accountability

- We live up to what we say by following through on commitments, agreements and promises
- Relevant information is available and openly shared

Strategic direction

Saskatchewan Pension Plan (SPP) provides members with a smart and affordable means to save for retirement. SPP is a fully-funded capital accumulation plan created by the provincial government to provide supplementary income to individuals with little or no access to employer-sponsored pensions. The Plan's mission is to grow through the provision of a superior investment opportunity that results in enhanced financial security at retirement.

SPP is a Saskatchewan success story that is not replicated by any country or province. The Canadian retirement income system is often viewed as having three pillars: universal government benefits (OAS), Canada Pension Plan (CPP), and employment pension plans and individual retirement savings. SPP is part of the personally funded plans or third pillar of retirement savings. The strategic impact of CPP enhancements on defined contribution plans is still being evaluated.

The Board strategically directs the administration of SPP. As the Plan grows, the expense ratio is affected by economies of scale and members have the potential for more services. Typically a large portion of asset growth comes from increased value of investments; however, investment climates sometimes make this challenging.

SPP is particularly beneficial for businesses that find existing pension options too expensive and too cumbersome to administer. The Plan will continue to focus on small businesses, especially those with fewer than 20 employees, and those who do not have access to private pension arrangements. Employers in Saskatchewan are looking for tools to help them recruit and retain employees. SPP's research indicates that a pension option will help employers achieve the results they desire.

Goal 1: To improve SPP's competitive position

As a tool of public policy, the Board continues its long-term plans to expand contribution maximums, to enhance retirement options for SPP and to offer online services to members.

Goal 2: To increase SPP membership

New member's numbered 907 in 2016 averaging an age of 40.0 years.

Goal 3: To increase SPP assets

Contributions in 2016 totaled \$27.6 million. Net assets under administration in the Contribution Fund (CF) were \$371.1 million—balanced fund (BF) - \$368.8 million and short-term fund (STF) - \$2.3 million—and \$108.4 million in the Annuity Fund (AF).

Goal 4: To optimize member satisfaction

One of the measures of member satisfaction is good service and competitive rates of return. The Board ensures the Plan is prudently and efficiently managed. This is reflected in an expense ratio of 0.87 per cent in the CF and 0.13 per cent in the AF. The social media initiative is intended to enhance member satisfaction by providing timely information about SPP and about financial planning and education. Member response to these initiatives continues to be encouraging.

Looking ahead

The continued success of the Plan depends on its ability to meet member expectations in both service and products. The Board and management work together to provide members with a solid, long-term investment at a low cost. There are still a great number of people who do not have access to a workplace pension plan. SPP strives to be the pension plan of choice for businesses and their employees.

Plan operations

SPP is a voluntary, capital accumulation plan for people who want an easy way to grow funds for retirement. The Plan is available to people between 18 and 71 years of age. Eligibility is not dependent on residency or membership in other plans; participants must have unused RRSP room to contribute. SPP members are full-time employees, part-time employees, self-employed people, homemakers, farmers and students. At December 31, 2016, SPP had 33,445 members (2015: 33,517).

New member profile

- 907 people joined SPP in 2016.
- 81 per cent identified themselves as full-time, part-time or self-employed.
- Average age of new members in 2016 was 40.0 years.

SPP has promotional information available for individuals who want more detailed Plan information. This literature can be obtained by:

- visiting the Plan's website at saskpension.com;
- visiting SPP's blog at savewithSPP.com;
- calling the toll-free line at 1-800-667-7153; or
- e-mailing the Plan at: info@saskpension.com.

Features of SPP

The Plan is flexible so that members can make it fit their life situation and budget. The main features of SPP are:

- Voluntary - no obligation to contribute;
- Flexible - payment at any time during the year;
- Portable - people can join and contribute to the Plan regardless of where they reside;
- Professionally managed investments; and
- Business pension option.

Members and the public use the toll-free inquiry line, email and the website to contact SPP. In 2016 the

Member statistics

Member status	%	Occupation	%	Age distribution	%
Active	71	Homemaker	15	18-25	2
Retired	29	Farmer	7	26-34	9
		Self-Employed	11	35-49	21
		Full-time	37	50-65	34
		Part-time	19	Over 65	34
		Student	6		
		Other	5		

Sex	%
Female	67
Male	33

inquiry centre responded to over 15,000 inquiries. Web traffic increased by 11 per cent in 2016.

Contributing to SPP

The annual maximum contribution to SPP is \$2,500, subject to the contributor's available RRSP room. There is no minimum contribution. Contributions are tax deductible by the member or their spouse within RRSP guidelines. During 2016, 12,306 members contributed to SPP with an average contribution of \$1,559 (2015: 12,634; \$1,555).

Members like the easy payment options available at SPP. They can use the pre-authorized contribution system; mail contributions to the Plan; use their Visa® or Mastercard® by phone, in person or on SPP's website; use the telebanking service available at their financial institutions; or contribute, in person, at financial institutions.

Transfers from other RRSPs and unlocked RPPs are accepted up to a maximum of \$10,000 per calendar year. In 2016, 1,060 members transferred \$8.3 million (2015: 1,110; \$8.7 million) into their SPP accounts.

Contributions are locked in and vested and are used to provide the member with a pension at retirement. Contributions are creditor protected and cannot be seized, claimed or garnisheed in any way except in the event of a court order under a marital division or Enforcement of Maintenance Order.

Plan operations

Assets of members who have not yet retired are held in the Contribution Fund (CF). Contributing members may choose between a balanced fund (BF) and short-term fund (STF) for investment. The BF is actively managed and contains bonds, equities, real estate and money market investments. The purpose of the BF is to provide members with long-term growth. The STF contains only money market instruments and is designed to preserve capital.

The Statement of Investment Policies and Goals is summarized on pages 17-19. More information on the CF performance in 2016 is found in the Investment report section (page 13).

Business plans

SPP is uniquely positioned to help businesses enhance their employee benefit package by offering employers a simple, affordable and easily managed pension plan option for employees. Employers can use SPP to offer the benefit of a pension plan without incurring the costs of administration or future liability for pension payments. Employers simply deduct the contributions from their payroll or contribute on behalf of their employees on whatever schedule they choose.

Retiring from SPP

Plan members can choose to retire from SPP between the ages of 55 and 71. At the time of retirement, members may direct all or part of their account to purchase an annuity from SPP, transfer their account to a locked-in retirement account or prescribed registered retirement income fund with another financial institution, or a combination of the annuity and transfer options. SPP also offers a small pension payout option for members whose monthly benefit is less than the prescribed amount. In 2016, pensions under \$22.88 per month qualified for this option.

Retired members

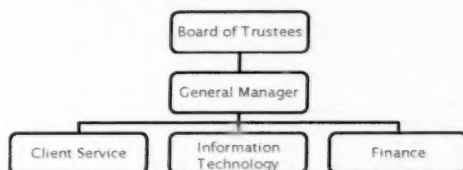
- 647 members retired in 2016.
- Average monthly pension for new retirees was \$171.
- Highest monthly pension is \$674.
- 10,217 members received a pension from SPP at the end of 2016.
- 269 members started a pension in 2016 at an average age of 68.1 years.
- 288 members transferred into other retirement income vehicles.
- 90 chose the small pension payout option.

Each annuity the Plan offers will pay the recipient lifetime monthly benefits with possible payments to a beneficiary or survivor after the member's death.

Annuity payments are determined by the member's account balance, age at retirement, annuity option and interest and annuity rates in effect. When members retire from SPP and choose an annuity from the Plan, their funds are transferred from the CF to the Annuity Fund (AF). The AF, a non-trading portfolio, invests in high-quality, long-term, fixed-income instruments.

Plan operations

Administration



SPP is administered by a Board of Trustees (Board) who act as trustee of the fund and administer the Plan in accordance with *The Saskatchewan Pension Plan Act* and Regulations and Board policies.

Board members are appointed by Order-in-Council and serve staggered three-year terms. Trustees for the period reviewed in this report were: Timothy Calibaba, Chairperson; Kimberly Enge; Paul Jaspar; Gordon Meadows; and Rodney Trayhorne.

Responsibility for daily administration of the Plan is delegated to the General Manager. In addition, the Board employs a number of consultants and specialists to assist them with managing member funds. These include:

- professional money managers, Greystone Managed Investments Inc. and Leith Wheeler Investment Counsel Ltd., who are responsible for investing member funds according to the Board's investment policies;
- a custodian, RBC Investor Services Trust, who holds all securities and cash in the funds and reports independently to the Board, thereby ensuring all funds are safeguarded; and
- a pension consultant, Aon Hewitt, Inc. who assists the Board in monitoring the performance of the investment managers.

Administrative expenses are paid from Plan earnings. SPP focuses on providing efficient service at a reasonable cost.



SPP Board of Trustees: Standing (L to R): Timothy Calibaba and Gordon Meadows. Seated (L to R) Rodney Trayhorne, Kimberly Enge, and Paul Jaspar.

Privacy

The Plan only collects the personal information necessary to run the program. The general rule of SPP's internal privacy policy stipulates that personal information can only be disclosed to the member or their authorized representative.

The Freedom of Information and Protection of Privacy Act was enacted in 1992 and is the major piece of provincial legislation governing privacy. In addition to complying with this legislation, SPP also complies with the *Overarching Personal Information Privacy Framework for Executive Government*. Questions about privacy should be directed to the Plan's Privacy Officer.

Investment report

Capital markets ended

2016 on an optimistic note, even though there was no shortage of uncertainty throughout the year. Equity markets globally closed the year at or near recent highs, yields on government bonds

were rising, and energy and industrial metal prices continued to recover. As a result of the U.S. election results, the market is currently pricing in expansive fiscal spending and pro-growth policies, boosting inflation and growth expectations.

Canadian equity markets had an outstanding year returning 21.1 per cent in 2016, outperforming most global equity markets in local currency terms, as the heavily-weighted Energy and Materials sectors rebounded. Further appreciation of the U.S. dollar (relative to the Canadian dollar) over the final quarter of the year has also added materially to total returns generated by global equities.

Recent optimism has been reflected in many survey-based economic indicators, showing that both business and consumer confidence are rising sharply, particularly in the United States.

U.S. Federal Reserve raised rates in December by 0.25 per cent, citing continued improvement in the labour market and progress towards inflation targets. An agreement by OPEC to cut oil production further enhanced inflation and growth expectations. Further rate hikes are expected in 2017. The Bank of Canada maintained the overnight rate at 0.5 per cent. The Canadian dollar remained stable versus the U.S. dollar following OPEC's agreement on production limits.

2016 Market returns	
S&P/TSX Composite Index	21.1%
S&P 500 Index (C\$)	8.1%
MSCI EAFE Index (C\$)	-2.5%
IPD Canada Property Index	5.1%
FTSE TMX Universe Bond Index	1.7%
FTSE TMX 91-day T-Bill	0.5%

Contribution Fund – BF results

The BF is structured to provide long-term capital growth and holds a mixture of equities, fixed income and Canadian real estate

SPP balanced fund return history	
2016	6.5%
5 year return	9.2%
10 year return	4.7%
Since inception (31 years)	8.1%

investments. The market value of the BF increased from \$336.0M at the beginning of 2016 to \$368.8 million at the end of 2016. This represents a return of 6.5 per cent after administration costs are allocated to members' accounts at year end. The historic rates of return are shown in the table above. The fund is managed by Greystone Managed Investments Inc. of Regina and Leith Wheeler Investment Counsel of Vancouver.

The following is a summary of the 2016 BF performance by asset class. The rates of return used exclude administration fees which allows for a valid comparison to benchmarks. SPP's year-end return, before administration expenses, was 7.4 per cent compared to a benchmark of 6.0 per cent.

The chart below shows the BF asset mix at December 31, 2016 and the other charts show the sector weighting of all asset class portfolios and top ten holdings.

Balanced fund portfolio at December 31, 2016



Investment report

Canadian Equities

Top 10 Canadian equity holdings in 2016			
	% of Portfolio		% of Portfolio
1. Royal Bank of Canada	7.3	6. Brookfield Asset Mgmt.	3.4
2. Toronto Dominion Bank	7.3	7. Waste Connections	3.3
3. Bank of Nova Scotia	6.2	8. Saputo	2.8
4. Canadian National Rwy.	4.2	9. Brookfield Infrastructure	2.5
5. Manulife Financial	3.6	10. Seven Generations	2.4

The S&P/TSX Composite Index returned 21.1 per cent in 2016. Strong returns in the Financials and Energy sectors were the main drivers of the return. Canadian stocks participated in the global equity rally post Trump's U.S. election victory as investors focused on the more positive attributes of his campaign platform. All sectors posted positive returns except for Healthcare in the year. The best performing sectors were Materials, Energy and Financials. Value stocks outperformed growth stocks in the year.

SPP's Canadian equity portfolio returned 21 per cent in the year with Greystone returning 12.2 per cent and Leith Wheeler 30.8 per cent.

	S&P/TSX Weight (%)	Portfolio Weight (%)	Index Return (%)
Materials	11.8	7.9	41.2
Energy	21.4	18.5	35.4
Financials	35.0	36.6	24.2
Industrials	8.9	15.9	21.6
S&P/TSX			21.1
SPP			21.0
Utilities	2.8	4.5	17.1
Telecom services	4.8	-	14.7
Consumer discretionary	5.0	4.8	10.1
Consumer staples	3.9	4.4	7.4
Information technology	2.8	6.0	5.1
Real estate	3.0	1.3	0.0
Health care	0.6	-	-78.6
Cash	-	0.1	-
Total	100.0	100.0	

U.S. Equities

Top 10 U.S. equity holdings in 2016			
	% of Portfolio		% of Portfolio
1. JPMorgan Chase	2.7	6. Wells Fargo	2.1
2. Apple	2.6	7. UnitedHealth Group	1.8
3. Citigroup	2.6	8. Altria	1.7
4. Chevron	2.6	9. Halliburton	1.7
5. Microsoft	2.4	10. Verizon	1.7

The S&P 500 Index (C\$) returned 8.1 per cent in the year. U.S. stocks also participated in the global equity rally post Trump's U.S. election victory as investors focused on the more positive attributes of his campaign platform. The best performing sectors were Energy, Telecommunications and Financials. The decline of the Canadian dollar versus the U.S. dollar added value to the SPP portfolio.

SPP's U.S. equity portfolio returned 8.5 per cent in C\$. Greystone returned 7.0 per cent and Leith Wheeler returned 10.0 per cent.

	S&P 500 Weight (%)	Portfolio Weight (%)	Index Return (C\$) (%)
Energy	7.5	8.9	22.8
Telecom services	2.7	1.7	19.2
Financials	14.8	20.5	18.9
Industrials	10.3	12.8	14.7
Utilities	3.2	1.0	12.4
Materials	2.8	3.8	12.3
Information technology	20.8	15.3	9.9
SPP			8.5
S&P 500			8.1
Consumer discretionary	12.0	11.8	2.2
Consumer staples	9.4	8.1	1.6
Real estate	2.9	2.0	-
Health care	13.6	13.7	-6.0
Cash	-	0.4	-
Total	100.0	100.0	

Investment report

Non-North American Equities

Top 10 Non-North American equity holdings in 2016				
	% of Portfolio			% of Portfolio
1. Total	2.9	6. Deutsche Post		1.5
2. BMW	1.9	7. Cash		1.5
3. AXA	1.7	8. Henkel		1.5
4. DNS	1.6	9. Valeo		1.5
5. Statoil	1.5	10. Royal Dutch Shell		1.5

The MSCI EAFE Index (C\$), returned -2.5 per cent in Canadian dollar terms. International equities finished 2016 with a strong fourth quarter. A strengthening Canadian dollar versus the euro and yen muted the return. Energy, Materials and Industrials were the only sectors to generate positive returns over the year.

SPP's non-North American (NNA) equity portfolio returned 2.7 per cent. Greystone returned -2.3 per cent and Leith Wheeler's sub-advisor, Barrow Hanley, returned 8.0 per cent.

Fixed Income

	FTSE TMX UBI Weight (%)	Portfolio Weight (%)	Index Return (%)
Corporate	27.6	48.3	3.7
SPP			2.5
Municipal	1.9	2.4	2.0
Provincial	33.8	27.5	1.8
FTSE TMX UBI			1.7
Federal	36.7	21.5	-
Cash	-	0.3	-
Total	100.0	100.0	

The FTSE TMX Universe Bond Index, which measures the Canadian Bond market returns, gained 1.7 per cent in the year. Long duration bonds underperformed medium and short duration bonds during the year. Yields rose sharply in the last few months of the year after the election of Donald Trump increased inflationary expectations in the markets.

SPP's Fixed Income portfolio returned 2.5 per cent. Greystone returned 2.6 per cent and Leith Wheeler returned 2.5 per cent.

	EAFE Weight (%)	Portfolio Weight (%)	Index Return (C\$) (%)
Luxembourg	0.1	-	17.2
New Zealand	0.2	-	16.8
Norway	0.6	4.3	10.5
Austria	0.2	-	8.1
Australia	7.4	3.2	7.8
SPP			2.7
Netherlands	3.2	3.7	2.5
France	9.8	8.4	2.3
Germany	9.0	5.5	-0.1
Hong Kong	3.5	3.6	-1.0
Japan	24.4	20.1	-1.0
Sweden	2.8	2.6	-1.7
Portugal	0.1	-	-2.0
Singapore	1.3	2.8	-2.0
MSCI EAFE			-2.5
United Kingdom	18.4	19.4	-3.6
Spain	3.1	2.3	-3.9
Finland	1.0	0.4	-6.0
Switzerland	8.8	7.5	-7.4
Belgium	1.3	-	-10.0
Ireland	0.5	3.3	-10.4
Italy	1.9	0.3	-12.6
Denmark	1.7	-	-18.3
Israel	0.7	-	-26.7
Emerging markets	-	10.5	-
Cash	-	1.7	-
Other	-	0.4	-
Total	100.0	100.0	

Real Estate

The Investment Property Databank Index, rose 5.1 per cent in the year. In 2016 strong performance is attributed to the significant capital appreciation of the assets in British Columbia and continued strength in the multi-unit residential portfolio, while properties in energy dependent markets have experienced negative capital returns. Overall, the portfolio's diversification helped generate strong absolute performance over the year. SPP's Real Estate portfolio, managed exclusively by Greystone, returned 7.7 per cent in the year.

Investment report

Contribution Fund – STF Results

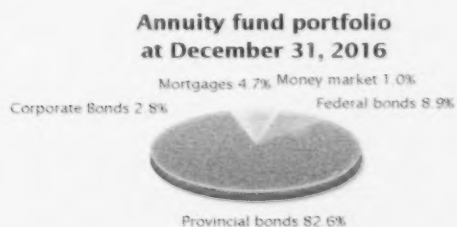
The objective of the STF is capital preservation and invests only in Canadian money market instruments such as T-bills and commercial paper. The FTSE TMX 91-day T-Bill Index returned 0.5 per cent. The STF returned 0.6 per cent. After administration costs, the return to members in the STF was 0.5 per cent.

Annuity Fund

The Annuity Fund's (AF) purpose is to provide lifetime retirement annuities to members. The fund is structured in such a way to provide adequate cash to meet pension payments in the early years and to immunize the portfolio beyond. Immunization is a strategy that matches the duration of assets and liabilities to minimize the impact of changes in interest rates.

The AF consists of high quality bonds and short term investments; there are no equities in the fund. Total assets of the fund at December 31, 2016 were \$108.4 M and there was an actuarial surplus of \$9.1 M at that same date.

Bond interest rates remained low throughout the year and therefore annuity rates were also low, ranging between 1.9 per cent and 2.3 per cent for the year. The fund is managed by Greystone Managed Investments Inc. of Regina and the chart below shows its composition as at December 31, 2016.



Investment policy summary

The Saskatchewan Pension Plan's aim is to create portfolios with risk/return characteristics suitable for members to grow their retirement savings. The Plan has developed and implemented investment policies that communicate the investment philosophy to the pension plan investment managers. Each fund has its own Statement of Investment Policies and Goals (SIP&G) which describe the objectives and the overall risk philosophy of the fund.

The asset mix policy, or the Fund's allocation to different asset classes, is a key component of the SIP&G. It is through the asset allocation decision that SPP diversifies its investments across asset classes and attempts to balance the level of risk in each portfolio. The Board monitors, on an ongoing basis, the performance of the Funds, the investment managers and reviews the SIP&G for each fund at least once annually. The SIP&Gs are available on the SPP website at saskpension.com under Investments.

SPP has established two funds to hold the assets of the Plan: the CF and AF. The investments must be eligible investments as outlined in *The Pension Benefits Act* and Regulations, the *Income Tax Act* and Regulations, and all subsequent amendments.

Contribution fund

The CF holds assets of members who have not yet retired. The assets are accumulated under a defined contribution or capital accumulation arrangement. Non-retired members have two options in which to invest their money, the BF and the STF.

The BF is the default investment fund. The objective of this fund is to accumulate the assets of members and invest these assets in a prudent, risk-controlled manner to provide for long-term growth. The fund balances the need for capital growth of younger members with the desire for capital preservation of older members by targeting a well-diversified portfolio with a slight bias to equities over fixed income investments.

The STF is designed for members whose primary objective is capital preservation. It is subject to minimal capital risk and invests in money market instruments. Typically, members who have a shorter-term horizon and who are willing to accept a lower return in order to minimize financial risk may choose this fund.

Risk management

The Plan is exposed to a variety of financial risks as a result of its investment activities. In the BF, these risks include market risk, credit risk and liquidity risk. The STF fund is subject to interest rate risk, inflation risk and credit risk. The Plan has implemented strategies to mitigate financial risks through its investment policy. This policy contains risk management provisions that govern investment decisions and is designed to achieve the objectives of the Board.

These risks are closely monitored and managed by:

- diversifying the asset classes, diversifying within each individual asset class and diversifying by manager style;
- establishing quality, quantity and diversification guidelines;
- setting performance goals and objectives and establishing benchmark performance expectations to measure progress towards the attainment of these goals;
- retaining an investment consultant who monitors the investment performance of the fund on a quarterly basis and reports to the Board on investment manager-related issues that may have an impact on fund performance;
- having management conduct monthly reviews of compliance of each investment manager with the quality and quantity guidelines contained in the policy; and

Investment policy summary

- reviewing quarterly reports from investment managers on compliance with the Investment Policy.

Asset mix

The BF has adopted an asset mix that has a slight bias to equity investments as shown in the table below.

Asset Class (% of fair value)	Asset Mix		
	Minimum %	Benchmark %	Maximum %
Equities			
Canadian	14	19	24
U.S.	13	18	23
Non-North American	13	18	23
Foreign	26	36	46
Total equities	40	55	65
Real estate			
	0	10	15
Fixed income			
Bonds & mortgages	15	32	45
Short term	0	3	10
Total Fund		100	

An investment management structure has been implemented, consisting of two active balanced managers with offsetting management styles. The fund holds a diversified portfolio of publicly traded equities, real estate, fixed income and mortgages which increases the opportunity to add value.

The STF invests in a Canadian pooled fund containing high quality money market instruments issued by governments, corporations, trusts and other commercial entities. All securities in the fund have a term to maturity of 365 days or less.

Performance measurement

The primary investment performance objective of each fund is to earn a rate of return that exceeds the rate of return earned on the benchmark portfolio. A second objective is to exceed the benchmark index in each of the asset classes in which the manager invests. Finally, the BF's long-term investment goal is to achieve a minimum annualized rate of return of three per cent in

excess of the Canadian Consumer Price Index assessed over annualized rolling four-year periods. The STF's long-term investment goal is to preserve capital over the short term and to earn a rate of return competitive with other money market funds.

Annuity fund

The AF holds assets of retired members transferred from the CF. Assets in the fund are used to provide annuity payments for the life of a retired member. Overall, the risk tolerance of the fund is low as the fund cannot tolerate loss of principal.

Risk management

The objectives of the AF are:

- to structure the investment portfolio so that the Fund's net assets are immune to changes in the level of interest rates;
- to provide sufficient liquidity to ensure payments to retired members when due; and
- to ensure long-term solvency of the Fund.

The ability to meet this objective is affected by two factors:

- fluctuations in the value of the investment portfolio, which are caused by changes in financial markets (primarily credit, market and liquidity risks); and
- changes in the value of the Plan's accrued benefit obligation, which is driven by both economic and demographic factors.

To achieve its objectives, the fund invests in high-quality fixed income and short-term investments all denominated and payable in Canadian dollars. Interest rate risk is addressed by matching estimated future cash payments with interest and principal payments from the portfolio. As such, the AF is immunized against changes in interest rates that may cause temporary differences between the asset and liability

Investment policy summary

values. The duration of the investment portfolio at cost is matched with the duration of the liabilities at cost on an annual basis. The matching should fall within a band of -0.5 to $+0.5$ years of the duration target.

The Board of Trustees retains an independent actuary to value the accrued annuity obligation annually based on economic and demographic assumptions. Each year, the Board and management monitor the validity of assumptions against actual experience and update as required.

Asset mix

Subject to requirements and restrictions imposed by both *The Pension Benefits Act* and Regulations and the *Income Tax Act* and Regulations, the Fund must include sufficient short-term investments to meet liquidity needs. Government of Canada, Provincial Government and Corporate bond issues, strip bonds, mortgages, mortgage-backed securities and short-term investments are permissible investments. Equities and derivatives are not permitted.

Performance measurement

Investment performance is monitored and evaluated on a regular basis. The portfolio risk is monitored annually by measuring the duration gap between the assets and liabilities. Long-term solvency is also monitored annually by comparing the present value of the asset cash flow stream to the present value of the estimated liability payments.

Actuaries' opinion

Aon Hewitt Inc. was retained by the Saskatchewan Pension Plan (the Plan) to perform an actuarial valuation of the assets and liabilities of the Saskatchewan Pension Plan on a funding basis as at December 31, 2016. The valuation of the Plan's actuarial assets and liabilities were based on:

- Membership and asset data compiled by the Saskatchewan Pension Plan as at December 31, 2016; and
- Assumptions about future events (economic and demographic) which were developed by Aon Hewitt Inc.

While the actuarial assumptions used to estimate liabilities for the Plan are, in our opinion, appropriate, the Plan's future experience will differ from the actuarial assumptions. Emerging experience differing from the assumptions will result in gains or losses that will be revealed in future valuations, and will affect the financial position of the Plan.

We have tested the data for reasonableness and consistency with prior valuations and in our opinion the data is sufficient and reliable for the purposes of the valuation. We are also of the opinion that the methods employed in the valuation and assumptions used are appropriate. Our opinions have been given and our valuation has been performed in accordance with accepted actuarial practice in Canada.

SIGNED

Paul Hebert, FSA, FCIA

Fellow, Canadian Institute of Actuaries

February 23, 2017

Management's responsibility for financial reporting

The financial statements of the Saskatchewan Pension Plan, and all information in this annual report, have been prepared by Plan management which is responsible for the reliability, integrity and objectivity of the information provided. The statements have been prepared in accordance with Canadian accounting standards for pension plans and necessarily include some estimates based on management's judgment. Other financial information in this annual report is consistent with that provided in the financial statements.

The Plan's accounting system and related system of internal controls are designed to provide reasonable assurance that transactions are properly authorized and recorded, assets are safeguarded and financial records are properly maintained to provide reliable information for use in the preparation of financial statements.

The Board of the Plan is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control. The Board reviews and approves the financial statements.

These financial statements have been audited by the Plan's independent external auditor, KPMG LLP, in accordance with Canadian generally accepted auditing standards, on behalf of the Members of the Legislative Assembly of Saskatchewan.

SIGNED

Katherine Strutt

General Manager

February 23, 2017

SIGNED

Donna Eon, CPA, CGA

Manager of Finance



Independent auditor's report

To the Members of the Legislative Assembly of Saskatchewan:

We have audited the accompanying financial statements of the Saskatchewan Pension Plan, which comprise the statement of financial position as at December 31, 2016, and the statement of changes in net assets available for benefits and the statement of changes in the provision for annuity obligation for the year then ended and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for pension plans, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or

error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Saskatchewan Pension Plan as at December 31, 2016, and the changes in its net assets available for benefits and changes in its annuity obligation for the year then ended in accordance with Canadian accounting standards for pension plans.

Other Matter

The financial statements of Saskatchewan Pension Plan as at and for the year ended December 31, 2015 were audited by another auditor who expressed an unmodified opinion on those financial statements on February 25, 2016.

SIGNED

Chartered Professional Accountants

Regina, Saskatchewan
February 23, 2017

Saskatchewan Pension Plan
Statement of financial position
as at (\$ thousands)

	2016			2015		
	Contribution Fund	Annuity Fund	Total	Contribution Fund	Annuity Fund	Total
ASSETS						
Investments (Notes 4 and 5)	\$ 369,034	\$ 107,361	\$ 476,395	\$ 335,639	\$ 106,580	\$ 442,219
Cash	1,651	172	1,823	1,225	621	1,846
Accrued investment income	308	686	994	254	734	988
Prepaid (deferred) retirement transfers	508	(508)	-	1,297	(1,297)	-
Prepaid annuity benefits	-	741	741	-	724	724
Equipment	-	-	-	16	2	18
Total assets	371,501	108,452	479,953	338,431	107,364	445,795
LIABILITIES						
Administrative expenses payable	214	35	249	332	41	373
Death and other benefits payable	163	37	200	202	21	223
Deferred member contributions	27	-	27	23	-	23
Total liabilities	404	72	476	557	62	619
NET ASSETS AVAILABLE FOR BENEFITS	371,097	108,380	479,477	337,874	107,302	445,176
Accrued obligations (Note 6)	371,097	99,327	470,424	337,874	99,343	437,217
SURPLUS	\$ -	\$ 9,053	\$ 9,053	\$ -	\$ 7,959	\$ 7,959

Commitments (Note 11)

(See accompanying notes to the financial statements)

ON BEHALF OF THE TRUSTEES:

SIGNED

Timothy W. Calibaba, ICD.D

SIGNED

Paul Jaspar, FCPA, FCA

Saskatchewan Pension Plan

Statement of changes in net assets available for benefits

for the year ended (\$ thousands)

	2016			2015		
	Contribution Fund	Annuity Fund	Total	Contribution Fund	Annuity Fund	Total
INCREASE IN NET ASSETS						
Investment income						
Interest and other income	\$ 969	\$ 4,180	\$ 5,149	\$ 1,068	\$ 4,071	\$ 5,139
Dividends	2,209	-	2,209	2,124	-	2,124
Pooled funds	17,113	-	17,113	21,730	-	21,730
	20,291	4,180	24,471	24,922	4,071	28,993
Change in fair value of investments						
Realized	3,266	1,177	4,443	7,418	87	7,505
Unrealized	2,443	(3,838)	(1,395)	(10,268)	49	(10,219)
Contributions	27,600	-	27,600	28,304	-	28,304
Transfers from Contribution Fund	-	9,485	9,485	-	8,170	8,170
	53,600	11,004	64,604	50,376	12,377	62,753
DECREASE IN NET ASSETS						
Annuities to pensioners	-	8,738	8,738	-	8,473	8,473
Administrative expenses (Note 9)	3,060	444	3,504	3,077	441	3,518
Transfers to other plans	6,996	-	6,996	7,299	-	7,299
Transfers to Annuity Fund	9,485	-	9,485	8,170	-	8,170
Deaths and other benefits	836	744	1,580	708	501	1,209
	20,377	9,926	30,303	19,254	9,415	28,669
Change in net assets	33,223	1,078	34,301	31,122	2,962	34,084
NET ASSETS AVAILABLE FOR BENEFITS						
BEGINNING OF YEAR	337,874	107,302	445,176	306,752	104,340	411,092
NET ASSETS AVAILABLE FOR BENEFITS						
END OF YEAR	\$ 371,097	\$ 108,380	\$ 479,477	\$ 337,874	\$ 107,302	\$ 445,176

(See accompanying notes to the financial statements)

Saskatchewan Pension Plan

Statement of changes in provision for annuity obligations

for the year ended (\$ thousands)

	2016	2015
PROVISION FOR ANNUITY OBLIGATIONS, BEGINNING OF YEAR	\$ 99,343	\$ 96,672
INCREASE IN PROVISION FOR ANNUITY OBLIGATIONS		
Interest on annuity obligations	1,888	1,924
Liability due to new annuities	9,475	8,370
Mortality experience	364	247
Change in interest rate assumption	-	728
	11,727	11,269
DECREASE IN PROVISION FOR ANNUITY OBLIGATIONS		
Change in interest rate assumption	2,852	-
Annuities paid with interest	8,891	8,598
	11,743	8,598
Net increase (decrease) in provision for annuity obligations	(16)	2,671
PROVISION FOR ANNUITY OBLIGATIONS, END OF YEAR	\$ 99,327	\$ 99,343

(See accompanying notes to the financial statements)

Saskatchewan Pension Plan

Notes to the financial statements

for the year ended December 31, 2016

1. Description of Plan

(a) General

The Saskatchewan Pension Plan ("SPP" or the "Plan") was established by the Government of Saskatchewan to provide an opportunity for individuals with little or no access to private pensions or other retirement savings arrangements to save for their retirement. Details of the Plan are contained in *The Saskatchewan Pension Plan Act* (the "Act") and Regulations.

(b) Funds established

The Plan is comprised of a Contribution Fund (CF) and an Annuity Fund (AF). These funds are managed by professional investment managers whose investment performance is measured against objectives established by the Saskatchewan Pension Plan Board of Trustees (Board) as outlined in the Statement of Investment Policies and Goals.

Contribution Fund (CF)

The CF is a defined contribution fund established to accumulate all contributions and earnings for members who have not yet retired under the Plan. There are two investment options available to CF members, the Balanced Fund (BF) and the Short Term Fund (STF). The asset mix of each fund is established based on the expected volatility of the underlying securities. The BF portfolio includes equities, bonds, real estate and money market investments. The STF only holds money market investments and is the least volatile. Members of SPP have the option to invest in the BF, the STF or a combination of both. Members who do not make a choice are invested in the Plan's default option which is the BF. Members bear the risk of investment losses and are the beneficiaries of investment gains.

Annuity Fund (AF)

The AF was established to provide Plan members with the option of purchasing a life annuity at retirement. If a member elects to purchase an annuity from the AF, the individual account balance is transferred from the CF to the AF and a pension contract is established. The AF holds investments in high quality long-term bonds. The AF also holds money market investments for current pension needs and to pay administration costs. Equity investments are not permitted. The investment portfolio is structured to limit the effect on the AF due to changes in the level of interest rates, to provide sufficient liquidity for payments to retirees when due and to ensure long-term solvency.

(c) Contributions

Participation in the CF is voluntary and members can contribute a maximum of \$2,500 for each plan year. Members may also transfer \$10,000 annually from an RRSP, RRIF or unlocked RPP to SPP. Contributions are vested immediately in the member's name and are locked into the Plan until retirement.

(d) Retirement

Members may retire under the Plan as early as age 55 or delay retirement as late as age 71. A member's accumulated account balance at retirement consists of member's contributions to the Plan together with the investment income and changes to the fair value of the Plan's investments allocable to the member as of that date under the terms of the Plan. Upon retirement, members may purchase an annuity through the AF or they may transfer all or part of their account to a locked-in pension option with another financial institution.

(e) Income tax

The Plan is a specified pension plan under the *Income Tax Act* and is not subject to income tax.

(f) Death benefits

Should a member die prior to retirement, the funds in his or her account will be paid to the named beneficiary or estate in accordance with the member's designation and are subject to the *Income Tax Act* and applicable legislation. If the beneficiary is the member's spouse, the funds may be transferred to the spouse's SPP account or to their own registered retirement savings plan.

Should a member die after retirement, death benefits are payable according to the type of annuity the member selected at retirement.

(g) Withdrawal provisions

Members whose monthly pensions are less than the prescribed amount can withdraw their total pension in one lump sum instead of receiving monthly benefits. In 2016, the prescribed amount was \$22.88 (2015: \$22.33).

Saskatchewan Pension Plan
Notes to the financial statements
for the year ended December 31, 2016

2. Basis of Presentation

(a) Statement of compliance

The financial statements for the year ended December 31, 2016 have been prepared in accordance with Canadian accounting standards for pension plans as defined in the CPA Handbook, Section 4600, Pension Plans. For matters not addressed in Section 4600, International Financial Reporting Standards (IFRS) have been followed.

The financial statements were authorized and issued by the Board on February 23, 2017.

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis, except for investments, which are stated at fair value.

(c) Functional and presentation currency

These financial statements are presented in Canadian Dollars, which is the Plan's functional currency, and are rounded to the nearest thousand as noted.

3. Summary of significant accounting policies

(a) Valuation of investments

Investments are stated at fair value in the Statement of financial position. The change in the fair value of investments from the beginning to end of each year is reflected in the Statement of changes in net assets available for benefits.

The fair value of investments is determined as follows:

- (i) Money market investments, comprising of treasury bills and bankers acceptances, are valued at cost, which together with accrued investment income, approximates fair value given the short-term nature of these investments.
- (ii) Bonds are valued at year-end quoted market prices in an active market when available. When quoted market prices are not available, the fair value is based on a valuation technique, being the present value of the principal and interest receivable discounted at appropriate market interest rates.
- (iii) Equities are valued at year-end quoted prices from accredited stock exchanges on which the security is principally traded.
- (iv) Pooled fund investments are valued at the unit price supplied by the pooled fund administrator, which represents the underlying net assets of the pooled fund at fair values determined using closing prices.
- (v) Real estate pooled fund is valued using market values from independent appraisals.
- (vi) Mortgage pooled fund is valued using spread-based pricing, over Government of Canada bonds, with a similar term to maturity.

(b) Investment transaction and income recognition

Investment transactions are recorded as of the trade date (the date upon which the substantial risks and rewards are transferred). The Plan follows the accrual method for the recording of income and expenses. All transaction costs in respect of purchases and sales of investments are recorded as part of administrative expenses in the statement of changes in net assets available for benefits. Dividend income is recognized based on the date of record. Realized gains and losses and unrealized appreciation or depreciation of investments are reflected in the change in fair value of investments.

(c) Fair value of other liabilities

Administrative expenses payable and death and other benefits payable are all short term in nature and, as such, their carrying value approximates fair value.

(d) Foreign currency translation

Assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the exchange rate in effect at year-end. Investments, revenues and expenses are translated at the exchange rate in effect at the transaction date. The realized and unrealized gains and losses arising on translation are included in the change in fair value of investments.

Saskatchewan Pension Plan
Notes to the financial statements
for the year ended December 31, 2016

(e) Accrued obligations

The accrued obligation for the AF is determined based on an actuarial valuation prepared by Aon Hewitt, an independent firm of actuaries. The valuation is prepared annually at December 31. Any change in the liability pursuant to the valuation is recognized as an increase or decrease in that year's Statement of changes in provision for annuity obligations.

(f) Use of estimates and judgments

The preparation of financial statements in accordance with Canadian accounting standards for pension plans requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, income and expenses, and related disclosures of contingent assets and liabilities. Actual results could differ from these estimates. Significant estimates included in the financial statements relate to the valuation of investments (see Note 4 and Note 5) and the provision for annuity obligations (see Note 6).

(g) Future accounting changes

IFRS 9, Financial Instruments will be mandatory for the Plan's financial statements, for the year beginning January 1, 2018. The extent of the impact on adoption of this standard is not known at this time, but is not expected to be material.

IFRS 16, Leases will be mandatory for the Plan's financial statements, for the year beginning January 1, 2019. The extent of the impact on adoption of this standard is not known at this time, but is not expected to be material.

4. Contribution Fund Investments

(a) Investments

The CF invests directly or through pooled funds in accordance with the Board's policy of asset diversification. The CF investments consist of the following:

(\$ thousands)	2016	2015
Bonds and bond pooled fund		
Federal	\$ 7,639	\$ 4,402
Provincial	8,711	6,195
Municipal	597	98
Corporate	11,161	9,734
Bond pooled fund	74,268	66,595
	102,376	87,024
Equities and equity pooled funds		
Canadian equities	70,246	58,326
Canadian equity pooled fund	3,565	4,426
United States equities	34,374	34,256
US equity pooled fund	36,248	33,619
International equity pooled fund	69,874	68,233
	214,307	198,860
Other		
Money market	5,605	6,427
Money market pooled fund	2,165	1,917
Real estate pooled fund	37,553	33,629
Mortgage pooled fund	7,028	7,782
	52,351	49,755
Total CF Investments	\$ 369,034	\$ 335,639

Bonds and bond pooled funds

The portfolio contains bonds that the CF holds directly or in pooled funds, including private placement bonds and bonds issued by foreign entities, all denominated and paid in Canadian dollars. Bonds are subject to a minimum quality standard of "BBB" or equivalent, as rated by a recognized credit rating service at the time of purchase. No more than 20% of the market value of the bond portfolio may be held in "BBB" issues. An investment in a pooled

Saskatchewan Pension Plan
Notes to the financial statements
for the year ended December 31, 2016

fund cannot exceed 10% of the market value of that fund. The Bond pooled fund has bond future exchange contracts in place to manage interest rate risk.

Equities and equity pooled funds

Equity holdings are made directly or through pooled funds. No one holding of an individual stock may represent more than 10% of the market value of the equity portfolio or more than 10% of the voting stock of the issuer. Pooled funds have no fixed distribution rates and returns are based on the investment performance attained by the fund manager. The International equity pooled fund may use derivatives for hedging currency and to replicate indexes.

Money market

Money market investments are defined as securities purchased with a maturity of one year or less. Only securities with an "R-1" rating, as rated by a recognized bond rating agency at the time of purchase, are permissible.

Real estate pooled fund

The Real estate pooled fund consists of Canadian real estate and is diversified by property type and geographic location.

Mortgage pooled fund

The assets of the Mortgage pooled fund include first and subsequent priority mortgages in Canadian real estate.

(b) Fair value measurements

The Plan has classified its investments using the hierarchy that reflects the significance of the inputs used in determining their measurements.

Under the classification structure, financial instruments recorded at unadjusted quoted prices in active markets for identical assets or liabilities are classified as Level 1. Instruments valued using inputs other than quoted prices that are observable for the asset or liability either directly or indirectly are classified as Level 2. Instruments valued using inputs that are not based on observable market data are classified as Level 3. Assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

The following table illustrates the classification of the CF's financial instruments within the fair value hierarchy as of December 31.

(\$ thousands)		2016			
		Level 1	Level 2	Level 3	Total
Money market	\$	-	\$ 7,770	\$ -	\$ 7,770
Bonds & bond pooled fund		-	102,376	-	102,376
Equities & equity pooled fund		104,620	109,687	-	214,307
Mortgage pooled fund		-	-	7,028	7,028
Real estate pooled fund		-	-	37,553	37,553
	\$	104,620	\$ 219,833	\$ 44,581	\$ 369,034

(\$ thousands)		2015			
		Level 1	Level 2	Level 3	Total
Money market	\$	-	\$ 8,344	\$ -	\$ 8,344
Bonds & bond pooled fund		-	87,024	-	87,024
Equities & equity pooled fund		92,582	106,278	-	198,860
Mortgage pooled fund		-	-	7,782	7,782
Real estate pooled fund		-	-	33,629	33,629
	\$	92,582	\$ 201,646	\$ 41,411	\$ 335,639

Saskatchewan Pension Plan
Notes to the financial statements
for the year ended December 31, 2016

The following is a reconciliation of the level 3 fair value measurements from December 31, 2015 to December 31, 2016.

(\$ thousands)

	Mortgage pooled fund	Real estate pooled fund	Total
Balance at December 31, 2015	\$ 7,782	\$ 33,629	\$ 41,411
Purchases	265	1,272	1,537
Sales	(963)	-	(963)
Gains (losses) Unrealized	(56)	2,652	2,596
Balance at December 31, 2016	\$ 7,028	\$ 37,553	\$ 44,581

(c) Financial risk management

The nature of the Plan's operations results in a Statement of financial position that consists primarily of financial instruments. The risks that arise are credit risk, market risk (consisting of interest rate risk, foreign currency risk and equity price risk) and liquidity risk.

These risks are managed by having an investment policy which is subject to review and approval by the Board annually. The investment policies provide guidelines to the Plan's investment managers for the asset mix of the portfolio regarding quality and quantity of permitted investments in order to achieve sufficient asset growth on a risk controlled basis. The minimum, maximum and target weighting for each class is clearly established in the policy. The Board reviews compliance reports from its investment managers to as to their compliance with the investment policies.

(i) Credit risk

Credit risk is the risk of loss arising from the failure of a counter party to fully honour its financial obligation with the Plan, including its inability or unwillingness to pay borrowed principal and interest when they come due. Credit risk can also lead to losses when issuers and debtors are downgraded by credit rating agencies, usually leading to a fall in the market value of the debtor's obligation. The Plan has put in place investment policies and procedures with established investment criteria designed to manage credit risk by setting limits to credit exposure through quality, quantity and diversification guidelines set out in the Investment Policy and by monitoring compliance to those guidelines. The credit quality of financial assets is generally assessed by reference to external credit rating. The Plan's most significant credit risk exposure arises from its investments in interest bearing investments. At December 31 the maximum credit risk from interest bearing investments to which the CF is exposed is summarized as follows:

(\$ thousands)	2016	2015
Cash	\$ 1,651	\$ 1,225
Accrued interest income	137	106
Money market	7,770	8,344
Bonds and bond pooled fund	102,376	87,024
Mortgage pooled fund	7,028	7,782
	\$ 118,962	\$ 104,481

Saskatchewan Pension Plan
Notes to the financial statements
for the year ended December 31, 2016

The credit ratings of the bond portfolio as of December 31 are summarized as follows:

(\$ thousands)	2016		2015	
	Fair value	% of Portfolio	Fair value	% of Portfolio
Credit rating				
AAA	\$ 8,414	29.9%	\$ 6,099	29.9%
AA	12,291	43.7%	6,913	33.8%
A	5,589	19.9%	5,461	26.7%
BBB	1,814	6.5%	1,956	9.6%
	\$ 28,108	100.0%	\$ 20,429	100.0%

Other than the Government of Canada, no single issuer represents more than 16.2% (2015: 12.0%) of the overall bond portfolio. Fixed rate bonds have effective interest rates ranging between 1.1% and 7.3% (2015: 0.6% and 4.7%) and coupon rates ranging between 1.3% and 8.3% (2015: 1.0% and 8.3%).

(ii) Market risk

Market risk is the risk that fair value of an investment will fluctuate as a result of changes in market prices. Market risk is comprised of three types of risk which include foreign currency risk, interest rate risk and equity price risk. Significant volatility in interest rates, equity values and the value of the Canadian dollar against the currencies in which the Plan's investments are held can impact the value of the Plan's investments.

Foreign currency risk

The Plan is exposed to currency risk through the holdings of foreign equities and foreign equity pooled funds where investment values may fluctuate due to changes in foreign exchange rates. The Plan manages foreign currency risk by limiting investment in foreign funds through the asset mix guidelines set out in the Plan's Investment Policy and by investing in securities that are strategically distributed over several geographic areas to limit exposure to any one foreign currency.

At December 31, 2016, the Plan's foreign currency exposure in U.S. equities was \$34.4 million (2015: \$34.3 million). If the Canadian dollar had strengthened or weakened by 10% in relation to the U.S. dollar exchange rate, with all other variables held constant, the net assets would have decreased or increased respectively, by approximately \$3.4 million (2015: \$3.4 million). In practice, the actual trading results may differ from this approximate sensitivity analysis.

Interest rate risk

Interest rate risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of a change in market interest rates. The Plan manages interest rate risk by establishing a target asset mix of interest-sensitive investments and investments subject to other risks. Investments are actively managed to mitigate or take advantage of changes in interest rates.

The CF holds approximately 31.7% (2015: 30.8%) of its investments in fixed income securities. As of December 31, 2016, a 1.0% increase in nominal interest rates (all else being equal) would result in a decline in the fair market value of bonds of 7.0% (2015: 6.3%).

The table below summarizes the Fund's exposure to interest rate risk by the remaining term to maturity:

(\$ thousands)	2016				
	Federal	Provincial	Municipal	Corporate	Fair value
Years to maturity					
Within 1	\$ -	\$ -	\$ -	\$ 872	\$ 872
1 to 5	3,904	1,471	304	6,538	12,217
6 to 10	1,985	745	293	1,151	4,174
Over 10	1,750	6,495	-	2,600	10,845
	\$ 7,639	\$ 8,711	\$ 597	\$ 11,161	\$ 28,108

Saskatchewan Pension Plan
Notes to the financial statements
for the year ended December 31, 2016

(\$ thousands)		2015				
Years to maturity		Federal	Provincial	Municipal	Corporate	Fair value
Within 1	\$	1,167	\$ -	\$ -	\$ 1,003	\$ 2,170
1 to 5		2,438	127	-	4,816	7,381
6 to 10		-	1,068	98	1,801	2,967
Over 10		797	5,000	-	2,114	7,911
	\$	4,402	\$ 6,195	\$ 98	\$ 9,734	\$ 20,429

Equity price risk

The Plan is exposed to changes in equity prices in global markets. The Board's policy is to invest in a diversified portfolio of investments. No one investee or related group of investees represents greater than 10% of the total book value of the assets of the Plan.

Equities and equity pooled funds comprise 58.1% (2015: 59.0%) of the Plan's total investments. At December 31, 2016, if the market prices, as measured by the benchmark indices, increased or decreased by 10%, with all other variables held constant, the Plan's net assets would have increased or decreased by approximately:

(\$ thousands)	2016 Impact	2015 Impact
S&P/TSX Capped Composite Index	\$ 7,381	\$ 6,275
S&P 500 Index (CAD)	7,062	6,788
MSCI EAFE Index (CAD)	6,987	6,823

(iii) Liquidity risk

Liquidity risk refers to the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. Liquidity requirements are managed through income generated from investments, monthly contributions made by members and by investing in publicly traded liquid assets that are easily sold and converted to cash. These sources are used to pay benefits, fund operating expenses and make transfers at retirement.

d) Investment performance

The following is a summary of the CF investment performance before administration expenses:

	Annual Return		Rolling Four Year Return	
	2016	2015	2016	2015
Portfolio return	7.4%	7.3%	10.4%	10.9%
Benchmark return	6.0%	7.4%	9.5%	10.1%

The portfolio return is a time-weighted rate of return calculation. The benchmark return aggregates the actual market index returns according to the weightings specified in the Investment Policy. The indices used to measure performance are Canadian equities: S&P/TSX Capped Composite Index; U.S. equities: S&P 500 Index (Cdn \$); Non-North American equities: MSCI EAFE Index (Cdn \$); Bonds: FTSE TMX Canadian Universe Bond Index, FTSE TMX Short-term bond index and FTSE TMX 91-day T-Bill Index.

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5. Annuity Fund investments

(a) Investments

The AF investments consist of the following:

(\$ thousands)	2016	2015
Bonds		
Federal	\$ 9,559	\$ 11,000
Provincial	88,803	90,614
Corporate	2,970	3,778
	101,332	105,392
Other		
Money market	1,034	1,188
Mortgage pooled fund	4,995	-
	6,029	1,188
Total AF Investments	\$ 107,361	\$ 106,580

Bonds

The portfolio contains bonds that the Plan holds directly, all denominated and paid in Canadian dollars. Bonds are subject to a minimum quality standard of "BBB" or equivalent as rated by a recognized credit rating service at the time of purchase and no more than 15% of the market value of the total bond portfolio may be held in "BBB" issues. Corporate bonds must meet a minimum quality standard of "A" at the time of purchase. The combined market value of corporate bonds and mortgage holdings shall not exceed 10% of the fund's market value, with the limit reviewed annually relative to the fund's funding position.

Mortgage pooled fund

The assets of the Mortgage pooled fund include first and subsequent priority mortgages in Canadian real estate.

Money market

Money market investments are defined as securities purchased with a maturity of one year or less. Only securities with an "R 1" rating, as rated by a recognized bond rating agency at the time of purchase, are permissible.

(b) Fair value measurements

The Plan has classified its fair valued financial instrument holdings using the hierarchy that reflects the significance of the inputs used in determining their measurements.

Under the classification structure, financial instruments recorded at unadjusted quoted prices in active markets for identical assets or liabilities are classified as Level 1. Instruments valued using inputs other than quoted prices that are observable for the asset or liability either directly or indirectly are classified as Level 2. Instruments valued using inputs that are not based on observable market data are classified as Level 3. Assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

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The following table illustrates the classification of the AF's financial instruments within the fair value hierarchy as of December 31.

(\$ thousands)

	2016			
	Level 1	Level 2	Level 3	Total
Money market	\$ -	\$ 1,034	\$ -	\$ 1,034
Bonds	-	101,332	-	101,332
Mortgage pooled fund	-	-	4,995	4,995
	\$ 0	\$ 102,366	\$ 4,995	\$ 107,361

In 2015 all of the AF investments were classified as Level 2.

The following is a reconciliation of the level 3 fair value measurements from December 31, 2015 to December 31, 2016.

(\$ thousands)

	Mortgage pooled fund	Total
Balance at December 31, 2015	\$ -	\$ -
Purchases	5,160	5,160
Gains (losses)		
Unrealized	(165)	(165)
Balance at December 31, 2016	\$ 4,995	\$ 4,995

(c) Financial risk management

The investment objectives of the AF are to maximize retirement wealth, ensure sufficient assets to meet future pension obligations and to generate enough cash flow to meet pension obligations. The AF is exposed to a variety of financial risks as a result of its investment activities and has formal policies and procedures that govern the management of credit, market and liquidity risk.

These risks are managed by having an investment policy, which is reviewed and approved annually by the Board. The investment policy provides guidelines to the AF's investment manager for the asset mix of the portfolio regarding quality and quantity of permitted investments. Funds transferred from the CF to the AF are used to purchase long term bonds. The combined duration of the bonds purchased is matched to the duration of the annuities purchased from the AF. Under the policy of the Plan such bonds are generally held to maturity.

(i) Credit risk

Credit risk arises from the potential for issuers of securities to default on their contractual obligation to the AF. The Plan limits credit risk through quality, quantity and diversification guidelines set out in the Investment Policy and by monitoring compliance to those guidelines. At December 31, 2016 the Fund's maximum credit risk exposure relates to cash, bonds, accrued interest income and money market investments totaling \$108,219,546 (2015: \$107,934,746). At year end the AF held no bonds with a BBB rating. Other than the Government of Canada, no single issuer represents more than 24.9% (2015: 24.4%) of the overall bond portfolio. Fixed rate bonds have effective interest rates ranging between 0.8% and 3.5% (2015: 0.5% and 3.5%).

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The table below summarizes the Fund's exposure to interest rate risk by the remaining term to maturity:

Credit rating	2016		2015	
	Fair value	% of Portfolio	Fair value	% of Portfolio
AAA	\$ 23,600	23.3%	\$ 25,261	24.0%
AA	41,619	41.1%	40,226	38.2%
A	36,113	35.6%	39,905	37.8%
	\$ 101,332	100.0%	\$ 105,392	100.0%

(ii) Market risk

Market risk is the risk that the fair value of an investment will fluctuate as a result of changes in market prices. Market risk is comprised of three types of risk which include foreign exchange risk, interest rate risk and equity price risk. The investment policy addresses risk through an investment approach that allows investments solely in high quality fixed income instruments denominated in Canadian dollars. This mitigates the foreign exchange risk and equity price risk.

Interest rate risk

Interest rate risk refers to the adverse consequences of interest rate changes on the Fund's cash flows, financial position and income. This risk arises from differences in the timing and amount of cash flows related to the Fund's assets and liabilities. Interest rate risk is managed by investing in fixed income investments that provide cash flows that match payments to annuitants.

The AF holds 100.0% (2015: 100.0%) of its investments in fixed income securities. As of December 31, 2016, a 1.0% increase in nominal interest rates (all else being equal) would result in a decline in the fair market value of bonds of 7.6% (2015: 7.7%).

The table below summarizes the Fund's exposure to interest rate risk by the remaining term to maturity:

2016	
Years to maturity	Fair value
Within 1	\$ 4,352
1 to 5	25,853
6 to 10	26,557
Over 10	44,570
	\$ 101,332

2015	
Years to maturity	Fair value
Within 1	\$ 6,568
1 to 5	23,867
6 to 10	29,720
Over 10	45,237
	\$ 105,392

(iii) Liquidity risk

The AF is exposed to liquidity risk through its responsibility to pay annuities on a timely basis.

The AF manages liquidity risk by maintaining adequate cash and cash equivalent balances. It ensures there is sufficient cash to meet its obligations by continuously monitoring and reviewing actual and forecasted cash flows, and by matching the maturity profile of investment assets to operating needs.

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6. Provision for annuity obligations

The provision for annuity obligations is the actuarial present value of the future expected annuity benefit obligation to pensioners as determined by Aon Hewitt Inc., an independent actuary. The actuarial valuation is a complex process requiring professional judgment on the part of the actuary and must ensure consistency with the asset valuation methodology. Measurement of this amount involves uncertainty, as estimates must be made of future interest rates and mortality rates.

The valuation method used to calculate the basic pension liability of retired members was the single premium actuarial cost method. An interest rate of 2.25% (2015: 1.90%) was used to determine the liabilities as of December 31, 2016. The UP94 Mortality table rates projected to 2040 were used for actuarial valuation as it closely reflects actual experience of the Plan. The duration of annuity payments is 7.4 years.

Pension annuities are issued based on the prevailing interest rates at the dates of retirement of the annuitants. The duration of the investments purchased are matched with the duration of the liabilities. As such, the risk to the Plan relates to:

- (i) any differences, which may be material, between the estimated and actual life expectancy of the annuitant group which may cause the Plan to have insufficient funds to meet the liability or more funds than required; and
- (ii) reinvestment of assets at maturity at rates greater than or less than rates used in determining the annuities.

To manage this risk, the Plan uses investment managers and actuaries to assist in determining the investment strategy. Further, subsection 7(3.2) of the Act requires any amount by which the liabilities of the AF exceeds the assets of the AF to be a charge on and payable from the General Revenue Fund of the Province of Saskatchewan. At December 31, 2016 the AF was in a surplus position.

Actual results may vary from the assumptions used. If the interest rate used increases by 1.0%, the provision for annuity benefits decreases by \$7,417,000 or if the interest rate decreases by 1.0%, the provision for annuity obligation increases by \$8,550,000. If the average mortality age increases by 1 year, the provision for annuity benefits increases by \$7,141,000.

The expected cash inflows from investment income and maturity payments and the expected outflows to pay annuity benefits are based on actual dollar forecasts without any provision for inflation. The total estimated cash outflows for the next five years are \$41.1 million and for the next ten years \$73.7 million.

The next actuarial valuation is required as of December 31, 2017.

7. Earnings allocation to members

Investment income plus the change in the market value of investments less administration expenses are allocated monthly to members in the CF.

8. Related party transactions

The Plan conducts a portion of its transactions with Saskatchewan Crown-controlled agencies, ministries and corporations. These transactions are at the agreed upon exchange rates and are settled on normal trade terms. During the year, the Plan incurred operating expenses of approximately \$271,920 (2015: \$274,743) and at year end had \$3,256 (2015: \$5,317) in accounts payable with these related parties.

At December 31, 2016, the Plan has \$2,698,779 (2015: \$3,538,865) invested in Province of Saskatchewan bonds with varying maturity dates and interest rates. Interest income during the year was approximately \$162,512 (2015: \$166,575) and change in the market value of these bonds was approximately a decrease of \$149,135 (2015: \$153,446).

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9. Administrative expenses

Administrative expenses are allocated to the Funds as prescribed by Board policy.

(\$ thousands)	2016	2015
Other administration expenses	\$ 1,309	\$ 1,394
Investment management fees	1,112	1,053
Salaries and benefits	987	962
Custodial fees	47	51
Audit fees	40	43
Actuarial fee	9	15
Total administrative expenses	\$ 3,504	\$ 3,518
Allocated as follows:		
Contribution fund	\$ 3,060	\$ 3,077
Annuity fund	444	441
	\$ 3,504	\$ 3,518

10. Compensation of key management personnel

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Plan. The compensation to directors and other members of key management personnel are included in the administrative expenses of the Plan and are summarized below.

(\$ thousands)	2016	2015
Short-term employee benefits	\$ 170	\$ 169
Post-employment retirement benefits	8	8
	\$ 178	\$ 177

11. Lease commitment

The Plan is committed to an operating lease for office space to January 31, 2018 with minimum monthly lease payments of \$11,828 due to a related party.

12. Capital management

The Plan receives new capital from member contributions. The Plan also benefits from income and market value increases on invested capital. The Plan's capital is invested in a number of asset classes including equities, fixed income, pooled funds and short-term investments. The Board of Trustee has delegated the operational investment decisions to our investment managers based on investment mandates as defined in the Plan's Statement of Investment Policy and Procedures.

13. Comparative figures

Certain comparative figures have been reclassified to conform to the current year's presentation.



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